



State of Utah

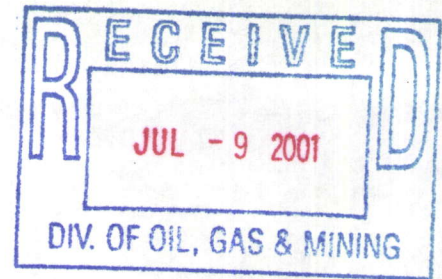
School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

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Director

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July 5, 2001



Stan Wagner
Ziegler Chemical & Minerals
Star Route
Vernal, Utah 84078

Re: Acceptance of Amendment to Notice of Intent to Commence Small Operation, Neal # 2 and Neal # 3, Gilsonite Lease ML 47536-OBA, DOGM File S/047/063, Uintah County, Utah

Dear Mr. Wagner:

On June 5, 2001, the School and Institutional Trust Lands Administration (Trust Lands Administration) received the above referenced Notice of Intent to Commence Small Mining Operations (NOI) as prepared by Mr. Gayle McKeachnie. Because the referenced NOI encompasses lands included under Gilsonite Lease # 47536-OBA, as did the NOI for the original Neal # 1 mine, the Trust Lands Administration will consider this NOI an amendment to the original Neal # 1 NOI.

Approval to commence with the operations at the Neal # 2 & 3 was delayed pending resolution of royalty payments associated to mineral extraction at the Neal # 2 mine. With satisfaction of the lease obligations and with final review of the referenced amendment the Trust Lands Administration considers the amended NOI complete and no additional information is required. Permission is hereby granted to continue with operations at the Neal # 2 and #3.

Under the original Neal #1 NOI the Utah State Historical Preservation Office (SHPO) did not require a cultural survey of the Neal #1 mine site. As mining operations and mine site development is already completed at the Neal # 2 and #3 sites, a recommendation from SHOP regarding a cultural survey of these sites would be meaningless. However, compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical, or paleontological remains be encountered during your operations you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

Currently Ziegler Chemical and Minerals has in place a \$24,000.00 surety bond, bond # 5618389, issued by Great American Insurance Company, as surety for reclamation of surface disturbance and other lease obligations assumed under the referenced gilsonite lease.

At the present time the Trust Lands Administration considers the amount of bonding sufficient for reclamation of 4.8 acres of surface disturbance. Should cumulated surface disturbance from

mining activity conducted by Ziegler on the leased lands exceed the present bond amount additional surety will be required.

The amended NOI indicates that the Neal # 3 mine site is located very near the boundary line of lands leased to American Gilsonite. Removal of gilsonite from lands leased to American Gilsonite will be considered a violation of the lease agreement and could subject this lease, as well as other lease agreements, to cancellation. As with the Neal gilsonite vein the Independent vein is segmented by leases held by Ziegler and American Gilsonite. Lease exchange between American Gilsonite and Ziegler, that would allow for continuous mining of gilsonite on the different veins, has been suggested by the Trust Lands Administration.

Upon completion of your mining operation all surface disturbances resulting from your operations on the leased lands will be fully reclaimed to the satisfaction of the Trust Lands Administration and in compliance with the State of Utah Mined Land Reclamation Act.

Trust Lands Administration approval to commence exploration or mining does not alleviate the necessity to comply with the requirements of the Division of Oil, Gas and Mining. You must contact them and comply with their notification requirements before commencing with any exploration or development. The address of the Division of Oil, Gas and Mining is 1594 West North Temple, Suite # 1210, P. O. Box 145801, Salt Lake City, Utah 84114.

Sincerely

William M. Stokes
Minerals Resource Specialist

Cc: Doug Jensen, DOGM